Decision **DRAFT DECISION OF ALJ BARNETT** **(Mailed 2/22/2006)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) for Approval of a Long-Term Gas Transportation Agreement with Guardian Industries Corp.	Application 05-10-010 (Filed October 7, 2005)

DECISION GRANTING APPROVAL OF A LONG-TERM GAS TRANSPORTATION AGREEMENT

Introduction

Southern California Gas Company (SoCalGas) seeks approval of a long-term gas transportation agreement (Agreement) with Guardian Industries Corp. (Guardian) on a firm basis.

Guardian currently operates a glass production facility in Kingsburg, California, that operates on fuel oil – not natural gas – and must either upgrade its Kingsburg facility to use clean-burning natural gas or relocate its manufacturing operation out of California. Guardian has performed an analysis of the costs of operating at its current location versus an alternate location in another state, and has established that the cost of doing business within California is higher than the cost of operating outside the state, with one of the key differentiators being rates for natural gas service.[1] A comparison of the gas service rates charged by SoCalGas and SoCalGas' out-of-state competitor demonstrates that the disparity in service costs is primarily the result of additional surcharges that SoCalGas is required to collect, which make gas service from SoCalGas significantly more expensive (i.e., surcharges of about 3.0¢/therm for SoCalGas compared to 0.2¢/therm for its out-of-state competitor).[2] The largest of these surcharges is the surcharge for gas public purpose programs (G-PPPs), which at 1.8¢/therm for this customer amounts to 31% of the total 5.9¢/therm rate charged to customers such as Guardian.

Rate/Cost Component	SoCalGas Tariff Service	Alternative Location Tariff Service	Disparity (¢/therm)
Fixed Charges[3] ($/month) (¢/therm average equivalent)	$350 0.02¢	$811 0.06¢	(0.04)¢
Average Transportation Rate (¢/therm)	2.9	2.7	0.2
Taxes, Fees & Surcharge (¢/therm)[4]	3.0	0.2	2.8

[1] Guardian's cost comparison assessment was provided to the Commission under seal as Attachment 8 to the Testimony of Joseph Velasquez filed in support of the application.

[2] A comparison of the utility rates offered by SoCalGas and its out-of-state competitor was included as Attachment 9 to the Testimony of Joseph Velasquez.

[3] Fixed Charges for SoCalGas include Customer Charge. Fix Charges for Alternate Location include Basic Service Fee and Administrative Charge.

[4] Average Surcharges for SoCalGas include 1.8¢/therm in G-PPPS, 0.3¢/therm Interstate Transition Cost Surcharge (ITCS), 0.9¢/therm Municipal Surcharge. Average Surcharges for the alternative location include 6% for State Sales Tax and 6% for Municipal Energy Tax applied to the Fixed Charges and Volumetric Transportation Rate.

Total (¢/therm)	**5.9¢**	**3.0¢**	**2.9¢**

Guardian has made clear that the difference in the cost of transporting natural gas is a material factor in its decision whether to remain in California.[5] No party has challenged the showing made by SoCalGas that approval of the proposed discount is necessary to prevent Guardian's relocation out of state. The Agreement seeks to make SoCalGas' gas service rate competitive with the rate offered by SoCalGas' out-of-state competitor by (i) setting the rate at the applicable tariff rate, subject to an escalating ceiling rate and floor rate; and (ii) offering a five –year declining discount to the G-PPPs.[6] SoCalGas submits that the discounting of the G-PPP's cost component is appropriate in light of the fact that the G-PPP is the cost component that makes SoCalGas gas service rate uncompetitive when compared with those of SoCalGas' out-of-state competitor.

The Division of Ratepayer Advocates (DRA) opposes discounting the PPPS, and identifies the proposed discount as the sole issue in the application. DRA argues that the PPPS is mandatory under Pub. Util. Code § 890 *et seq.*;[7] therefore, we have no legal authority to discount the surcharge for any single gas customer.

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5 *See*, Affidavit of Peter S. Walters, Attachment 7 to the Testimony of Joseph Velasquez.

6 The gas service rate offered by SoCalGas remains slightly higher than that offered by SoCalGas' out-of-state competitor, even after application of the discount, but Guardian's acceptance of the Agreement signifies that the Agreement as a whole is sufficiently attractive, notwithstanding the slightly higher rate, to materially contribute to Guardian's decision to maintain its operation in California.

7 All statutory references are to the Public Utilities Code. Section 890 states, in part: ". . . there shall be imposed a surcharge on all natural gas consumed in this state. The commission shall establish a surcharge to fund low-income assistance programs. . . ."

The Utility Reform Network (TURN) opposes the SoCalGas proposal. It argues that a discount in the PPPS would contravene the long-standing Commission policy of collecting the costs of environmental and social surcharges such as those collected for the California Alternative Rates for Energy (CARE) program on an equal-cents-per-therm basis. It says, while the threat of Guardian leaving the state may indeed be serious, it does not justify altering this allocation policy when there are other alternatives readily available. In the past SoCalGas has agreed to several long-term transportation agreements that provided relief to companies threatening bypass by discounting the non-core transportation rate. TURN urges the Commission to maintain its policy of allocating the cost of social programs on an equal-cents-per-therm basis to all ratepayers and direct SoCalGas to modify the proposed agreement accordingly.

A prehearing conference was held November 15, 2005, at which time all parties agreed that a public hearing was not necessary and that the matter should be submitted upon the filing of briefs, which have been received.[8]

The Agreement

The Agreement has a 15-year term which sets the gas service rate at the applicable tariff rate, subject to an escalating ceiling rate and floor rate; and offers a five-year declining discount to the public purpose program surcharge. The Agreement provides additional contribution to margin (CTM). The net present value of the CTM to SoCalGas customers is estimated to range from $1.4 million to $3.5 million over the term of the Agreement, when discounted at the discount

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[8] SoCalGas' Exh. 1, the public redacted testimony of Velasquez and Exh. 2, the public redacted testimony of Smith, are admitted.

rate adopted by the Commission to evaluate the cost effectiveness of energy efficiency programs.[9] In addition, Guardian will make escalating contributions to SoCalGas' G-PPPS over the lifetime of the Agreement. Guardian's G-PPPS contributions will escalate from $56,000 the first year of the Agreement to approximately $314,000 during year six and throughout the expiration of the Agreement. The net present value of the contributions to G-PPPS is estimated to be $1.8 million over the lifetime of the Agreement, when discounted at the discount rate adopted by the Commission to evaluate the cost effectiveness of energy efficiency programs.

The Public Benefit

SoCalGas claims, and neither DRA nor TURN disputes, that approval of the Agreement will preserve approximately 300 manufacturing jobs in the San Joaquin Valley, an area of the state already burdened by a high unemployment rate. SoCalGas asserts that the unemployment rate in the four counties of the San Joaquin Valley that are served by SoCalGas has consistently been 300 to 500 basis points higher than the average unemployment rate in California. This makes Guardian, which offers its employees stable, non-seasonal employment (notable in this area of the state where much of the employment is seasonal due to a heavy concentration of agricultural businesses) and wages that are above-average for the area, a valued member of the business community. In addition to the direct benefits conferred upon Guardian employees, Guardian's Kingsburg operation adds approximately $58 million per year into the state economy,

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[9] The net present value was calculated using 7.49%, which is the factor adopted by the Commission to evaluate the cost effectiveness of energy efficiency programs.

consisting of payroll, purchases from California based suppliers, and sales and property taxes. The State of California and local communities also benefit from the taxes paid by Guardian's employees, as well as from the economic activity generated in the communities where the approximately 300 Guardian employees purchase products and services for their families.

By converting from fuel oil to natural gas at its Kingsburg site, Guardian will significantly reduce air pollution emissions, a key objective of this Commission's own Energy Action Plan. Based on permitted emissions by the San Joaquin Valley Air Pollution Control District, emissions of oxides of nitrogen (NOx) will be reduced by 67% or 855 tons per year and emissions of oxides of sulfer (SOx) will be reduced by 75% or 460 tons per year. A study performed by Guardian indicates that converting to natural gas will allow it to significantly reduce emissions, even while increasing production: with a 33% increase in glass production, emissions of NOx decrease 46% or 353 tons per year, SOx decrease 63% or 262 tons per year, and CO_2 decrease by 18% or 21,000 tons per year.

Pub. Util. Code § 890 *et seq.*

DRA argues that § 890 is clear that all California gas consumers must pay the PPP surcharge. Because the legislature directs the PUC to set surcharge rates for all natural gas consumers and orders utilities to collect them from each natural gas customer, all consumers, including those from interstate pipelines, must pay the surcharge, without discount. It quotes § 890(a), "On and after January 1, 2001, there *shall* be imposed a surcharge on *all natural gas consumed* in this state. The commission shall establish a surcharge to fund low-income assistance programs . . ." *Id*. (DRA emphasis added.) Section 890(b) continues with, "a public utility gas corporation . . . *shall* collect the surcharge imposed pursuant to subdivision (a) from *any person consuming* natural gas in this state who receives gas service from the public utility corporation." *Id.* (DRA emphasis added.) Section 890(c) imposes the surcharge on interstate pipeline consumers by stating that *"all persons consuming natural gas* that has been transported by an interstate pipeline … *shall* be liable for the surcharge imposed pursuant to subdivision (a)." *Id.* (DRA emphasis added.) DRA concludes that it is evident from the above sections that all natural gas consumers in California must fund the public purpose programs.

Nor, in DRA's opinion, does the Commission have discretion to set or discount individual surcharge rates. Citing Section 890(e): "The Commission *shall* annually establish a surcharge rate for each class of customer for the service territory of each public utility gas corporation." (DRA emphasis added.) DRA claims that § 890(e) mandates the Commission to set surcharge rates per class of customers and not for individual customers. Finally, DRA asserts that the proposed G-PPPS rates violate § 453, which establishes that public utilities may not "as to rates, charges, service, facilities, or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage."

Discussion

DRA's reliance on § 890 and § 453 is misplaced. Pub. Util. Code § 532, the modifier of § 453, provides that no public utility shall charge a different compensation for any commodity furnished than the rates specified in its schedules on file; but that "the commission may by rule or order establish such exceptions from the operation of this prohibition as it may consider just and reasonable as to each public utility." Pursuant to this authority this Commission has authorized numerous deviations from tariff rates.[10]

More particularly, § 740.4 authorizes discounts to encourage economic development.

> 740.4. (a) The commission shall authorize public utilities to engage in programs to encourage economic development.
> (b) Reasonable expenses for economic development programs, as specified in this section, shall be allowed, to the extent of ratepayer benefit, when setting rates to be charged by public utilities electing to initiate these programs.
> (c) Economic development activities may include, but not be limited to, the following:
> (1) Community marketing and development.
> (2) Technical assistance to support technology transfer.
> (3) Market research.
> (4) Site inventories.
> (5) Industrial and commercial expansion and relocation assistance.
> (6) Business retention and recruitment.
> (7) Management assistance.
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> (h) It is the intent of the Legislature that the Public Utilities Commission, in implementing this chapter, shall allow rate recovery of expenses and rate discounts supporting economic development programs within the geographic area served by any public utility to the extent the utility incurring or proposing to incur those expenses

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[10] *See, e.g.,* D.95-10-033, 62 CPUC 2d 24, 51; D.93-07-051, 50 CPUC 2d 432, 437; D.93-10-072, 51 CPUC 2d 701; D.94-02-044, 53 CPUC 2d 281. D.96-09-104, 68 CPUC 2d 379, 383 ("Not every recognition of difference in rates to be charged by a public utility may be classified as unlawful since they may be taken in recognition of reasonable and just distinctions.")

> and rate discounts demonstrates that the ratepayers of the public utility will derive a benefit from those programs. Further, it is the intent of the Legislature that expenses for economic development programs incurred prior to the effective date of this chapter, which have not been previously authorized to be recovered in rates, shall not be subject to rate recovery.

Our recent decision D.05-09-018 has examined the standards for tariffs dealing with economic development rates.[11] In that decision we found that:

> 2. The implementation of successful economic development projects would benefit ratepayers directly by increasing the revenues available to contribute to the utilities' fixed costs of doing business, thus lowering rates to other customers.
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> 3. In addition to direct benefits to other ratepayers, economic attraction and retention activities also provide indirect benefits to ratepayers in the form of increased employment opportunities and improved overall local and economic vitality. (D.05-09-018, *Mimeo.* at 26.)

We emphasized that Section 740.4(h) requires the Commission to allow recovery through rates of expenses and rate discounts supporting economic development programs to the extent that ratepayers "derive a benefit from those programs." (D.05-09-018, mimeo at 10.)

The G-PPPS funds the CARE program, which benefits low-income customers by providing them lower gas rates, and also funds energy efficiency, and research and development programs. Because Guardian currently burns

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[11] D.05-09-018 dealt with electric rate discounts to retain or attract business. The principles behind gas rate discounts to retain or attract business are the same. Section 740.4 applies to all public utilities.

fuel oil at its Kingsburg facility, it does not presently pay the G-PPPS. SoCalGas stresses that the amount that Guardian will pay into the G-PPP upon becoming a SoCalGas gas customer will represent incremental funding of the program, which will lower the amount that must be collected from all other gas customers. These are funds that would not otherwise be collected and will not be collected if Guardian elects to leave California. The Agreement provides that Guardian will gradually increase its G-PPPS rate each year over a five-year period, and will maintain a consistent rate over the remainder of the Agreement. SoCalGas estimates that Guardian's contribution under the Agreement will be approximately $1.8 million in G-PPPS funds over the life of the Agreement.

There is no reason to place public purpose program rates in an untouchable category when considering discounts.[12] We have discussed the benefit to public purpose programs of a discounted rate. An additional benefit is the spreading of fixed costs over a larger amount of throughput, so that even ratepayers who do not receive any discount pay lower rates than they would if the incremental load were lost. If, to obtain those benefits, we believe it necessary to discount the PPP rate, we should do it. To interpret § 890 so narrowly as to prohibit a PPP discount would be counterproductive to the public purpose needs of the community – it rejects funds otherwise available should

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[12] *See*, D.93-07-051, 50 CPUC 2d 432, 437. Our rules had prohibited the discounting of the Interstate Transition Cost Surcharge (ITCS). In relaxing the prohibition we said: "However, as part of the Commission's active oversight of a utility's competitive response to the threat of uneconomic bypass, we today determine that the bypass threat involved in this particular Agreement is seriously imminent. Therefore, we find that because there is an important need to allow PG&E the flexibility to negotiate a discount rate which will keep Chevron as a customer, we are approving this particular Agreement although it includes a provision which allows for the possible discounting of the ITCS."

Guardian remain; and it refuses additional throughput to the detriment of all ratepayers.

SoCalGas requests that the Commission approve the Agreement no later than April 13, 2006. Expedited consideration and approval is requested in order to permit Guardian to make its decision whether to relocate within the next few months. Guardian's Kingsburg facility has already operated beyond its expected life and is badly in need of replacement. Expeditious approval of the Agreement will enable Guardian to finalize plans to maintain its glass production operations within California with a new gas fired furnace. Delay in approval, however, will likely force Guardian to opt for relocation of its facility. The potential loss of Guardian with the concurrent impact of the loss of employment for 300 if resolution of this application is delayed leads us to conclude that a business with so much at stake is in a position where the threat of bypass is seriously imminent.

Do Equitable Considerations Bar a PPPS Discount?

TURN argues that Commission policy has consistently allocated the cost of the CARE program on an equal cents-per-therm or per-kwh basis to all customers as a matter of equity. Because the CARE program is a social program designed to reduce electricity and gas rates for low-income customers, all utility customers should pay for the CARE surcharges equally. The Commission has repeatedly held that an equal cents per therm or kWh allocation was most consistent with the statutory goal of minimizing the burden on any one class of ratepayers.[13] The Commission has rejected efforts to change this allocation of CARE subsidy costs.

TURN asserts that although Guardian would be making new contributions towards the cost of public purpose programs, it does not change the fact that Guardian would be paying proportionately less than every other SoCalGas customer. TURN finds no persuasive reason why Guardian should be treated differently from all other gas customers with respect to their share of the cost of public purpose programs. This application should be denied because it is nothing more than another attempt to change the allocation of CARE costs. TURN fears that if the Commission allowed even one customer to evade this responsibility, we would be opening the door to a slew of applications to reduce CARE surcharges for individual customers or even for an entire customer class.

TURN's analysis of equitable issues focuses on only the PPP aspect of discounting rates. Its contention that the integrity of the PPP takes precedence over the overall public benefit of the Agreement does not survive close scrutiny. We have discussed those benefits, but will restate them, briefly.

Approval of the Agreement will prevent the out-of-state relocation of a large California employer and would preserve the manufacturing jobs of approximately 300 employees. The state and local communities gain from the

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[13] D.96-04-050, 65 CPUC 2d 362, 412.
"There is no sound theoretical argument for assigning CARE costs on either an equal cents per kWh or an equal percentage of total bill basis. From the perspective of customers that do not receive the CARE discount (but must pay the costs), CARE-related expenditures are no more related to energy consumption than they are to the total usage of utility resources. The issue is really one of equity. Under an equal percentage of total bill (or EPMC) allocation, residential and small commercial customers would bear proportionately more of the CARE costs than under an equal cents per kWh allocation method."

economic growth generated by business activity and low unemployment, and from maintenance of a stable tax base.

As a new gas customer, Guardian will be contributing significantly to the G-PPP: $56,000 the first year of the Agreement escalating to approximately $314,000 during year six and throughout the expiration of the Agreement. The net present value of the contributions to G-PPP is estimated to be $1.8 million. The amount that Guardian will pay into the G-PPP upon becoming a SoCalGas gas customer is incremental revenue. <u>These are funds that would not otherwise be collected and will not be collected if Guardian elects to leave California</u>.

The Agreement will also benefit SoCalGas customers by providing additional CTM, the net present value of which is estimated to range from $1.4 million to $3.5 million. Finally, by facilitating Guardian's transition to natural gas there will be a significant reduction in emissions and a corresponding improvement in air quality. Rather than finding a PPPS discount inequitable, based on the facts of this application a PPPS discount is eminently equitable.

Discounting the Transportation Rate

TURN points out that if the threat of bypass is serious, SoCalGas has alternatives other than reducing Guardian's PPPS. In previous long-term gas transportation agreements SoCalGas has responded to the threat of bypass by reducing the transportation rates that it charges the companies threatening to relocate. The net effect on Guardian would be the same – reduced rates as an incentive to stay in SoCalGas's territory.

SoCalGas argues that it cannot reduce rates low enough to keep Guardian in California using natural gas unless it discounts the PPPS because it would otherwise have to reduce the regular transportation rate below the long-run marginal cost (LRMC) – an outcome which SoCalGas contends the Commission would oppose. TURN counters that the transmission rate would likely only need to be below the LRMC for a few years and the discounted rate would be highly likely to result in a positive contribution to margin over the 15-year term of the contract.

SoCalGas opposes TURN's proposal to discount only the transportation rate rather than the PPPS. It explains that to do so would reduce the regular transportation rate below LRMC for some portion of the Agreement term. SoCalGas says it is unaware of any Commission precedent supporting the discounting of the transportation rate below LRMC in a given year. Moreover, it is the G-PPPS that makes SoCalGas' gas service rate uncompetitive when compared with the service rate charged by SoCalGas' out-of-state competitor. Accordingly, the Agreement appropriately focuses on the G-PPPS cost component in attempting to develop a competitive gas service rate. Applying the discount entirely to the transportation rate component, rather than at least in part to the G-PPPS, will not address the underlying problem of excessive surcharge amounts being included in utility rates and will serve only to send inappropriate price signals to the market.

Finally, SoCalGas states, the Commission has articulated a policy in favor of discounted rates that spread fixed costs over a larger amount of throughput, so that even ratepayers who did not receive any discount pay lower rates than they would if the incremental load were lost. Setting transportation rates at below LRMC, however, undermines this benefit to ratepayers.

To mitigate the PPP discount, SoCalGas suggests that the Commission could approve a discount to the transportation rate as low as LRMC during each of the first five years of the Agreement, and discount the G-PPPS in each year only to the extent necessary to achieve the discount required under the

Agreement. Based upon current tariff rates, a transportation rate discount of 0.7¢/therm reduces the transportation rate to LRMC. The table below sets forth the applicable service rate discount for each of the first five years of the Agreement, the maximum transportation rate discount and the resulting discount to the G-PPPS.

Month	G-PPPS Reduction Stated in Agreement	Discount Re-Allocated to Transportation Rate	Resulting G-PPPS Share of Discount
1 thru 12	1.5¢/therm	0.7¢/therm	0.8¢/therm
13 thru 24	1.2¢/therm	0.7¢/therm	0.5¢/therm
25 thru 36	0.9¢/therm	0.7¢/therm	0.2¢/therm
37 thru 48	0.6¢/therm	0.6¢/therm	0¢/therm
49 thru 60	0.3¢/therm	0.3¢/therm	0¢/therm

This discount would produce a CTM with a net present value of $0.9 - $2.7 million over the life of the Agreement.

We agree with SoCalGas that to concentrate solely on the transportation rate rather than the PPPS, and set the transportation rate below LRMC, will send an inappropriate price signal to the market.[14] It is important that the public be aware of which segment of a rate is competitive and which is not. SoCalGas' offer to reduce the transportation rate to LRMC mitigates the problem somewhat, but raises two concerns: the contribution to margin goes down – from the range $1.4–3.5 million to the range $0.9-2.7 million and the revenue requirement increases for the ratepayer who makes up the shortfall and pays the surcharge.

[14] *See*, D.92-11-052, 46 CPUC 2d 444, 446-448, for a discussion of uneconomic bypass and why we should not set a rate below LRMC.

The equities lay with the general ratepayer. We will approve SoCalGas' original proposal.

Categorization and Need for Hearings

In Resolution ALJ 176-3161 dated October 27, 2005 the Commission preliminarily categorized this application as ratesetting and preliminarily determined that hearings were necessary. All parties having waived evidentiary hearings, we find hearings are not necessary.

Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

Comments on the Draft Decision

The draft decision of the Administrative Law Judge in this matter was mailed to the parties in accordance with Section 311(g)(1) of the Public Utilities Code and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____.

Findings of Fact

1. Guardian operates a glass production facility in Kingsburg, California, that operates on fuel oil – not natural gas – and must either upgrade its Kingsburg facility to use clean-burning natural gas or relocate its manufacturing operation out of California.

2. Guardian has made clear that the difference in the cost of natural gas is a material factor in its decision whether to remain in California.

3. The Agreement has a 15-year term which sets the gas service rate at the applicable tariff rate, subject to an escalating ceiling rate and floor rate; and offers a five-year declining discount to the public purpose program surcharge. The net

present value of the CTM to SoCalGas customers is estimated to range from $1.4 million to $3.5 million.

4. Guardian will make escalating contributions to SoCalGas' G-PPPS from $56,000 in the first year of the Agreement to approximately $314,000 during year six and through the end of the term. The net present value of the contributions to G-PPPS is estimated to be $1.8 million.

5. The public and ratepayers will benefit from the Agreement in the following manner:

a. Approval will prevent the out-of-state relocation of a large California employer and will preserve the manufacturing jobs of approximately 300 employees. The state and local communities gain from the economic growth generated by business activity and low unemployment, and from maintenance of a stable tax base.

b. As a new gas customer, Guardian will be contributing significantly to the G-PPP: $56,000 in the first year escalating to approximately $314,000 during year six and through the end of the term; a net present value of approximately $1.8 million.

c. The amount that Guardian will pay are funds that would not otherwise be collected and will not be collected if Guardian elects to leave California.

d. The Agreement will benefit SoCalGas customers by providing additional CTM, the net present value of which is estimated to range from $1.4 million to $3.5 million.

e. By facilitating Guardian's transition to natural gas there will be a significant reduction in emissions and a corresponding improvement in air quality.

f. The transition to natural gas will permit fixed costs to be spread over a larger amount of throughput, thereby benefiting all ratepayers.

6. The bypass threat involved in this Agreement is seriously imminent.

Conclusions of Law

1. Section 890 does not prohibit the Commission from providing exceptions from the surcharge requirement when the Commission finds that the exception is just and reasonable.

2. It is just and reasonable to permit SoCalGas to discount its public purpose program surcharge as set forth in its Agreement with Guardian.

3. The long-term gas transportation agreement between Southern California Gas Company and Guardian Industries Corp. as proposed is reasonable and should be approved.

O R D E R

IT IS ORDERED that:

1. The long-term gas transportation agreement between Southern California Gas Company and Guardian Industries Corp. as proposed is reasonable and is approved.
2. No hearings were necessary for this proceeding.
3. Application A.05-10-010 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.